

AMENDED IN SENATE JUNE 27, 2005

AMENDED IN ASSEMBLY MAY 23, 2005

AMENDED IN ASSEMBLY APRIL 12, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 1576

Introduced by Assembly Member Nunez

February 22, 2005

An act to add Section 454.6 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1576, as amended, Nunez. Electrical corporations: rates: repowering projects.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Under existing law, a public utility has a duty to serve, including furnishing and maintaining adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons and the public. The Public Utilities Act requires the commission to review and adopt a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives, including the requirement that the procurement plan enable the electrical corporation to fulfill its obligation to serve its customers at just and reasonable rates.

Existing law, until January 1, 2007, requires the State Energy Resources Conservation and Development Commission (Energy Commission) to establish a process for the expedited review of applications to construct and operate thermal powerplants and related facilities and for the expedited review of repowering projects.

This bill would require that the costs of a contract entered into pursuant to a procurement plan by an electrical corporation for the output of a *replacement or* repowering project that meets specified criteria ~~to~~ be recoverable in rates from all customers who benefit, taking into account any collateral requirements and debt equivalence associated with the contract.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) It is in the public interest for the ~~this~~ state's electricity
- 4 generating facilities to provide clean, reliable, efficient, and
- 5 affordable power to the state's electricity consumers.
- 6 (b) Certain existing electric generating facilities are
- 7 strategically located and interconnected to gas transmission
- 8 pipelines and the electric transmission system in a manner that
- 9 optimizes their reliability, deliverability, their cost-effectiveness,
- 10 and their ability to deliver power to load centers.
- 11 (c) Many of these existing electric generating facilities, ~~while~~
- 12 ~~located on optimal sites,~~ exhibit less than optimal environmental
- 13 performance, reliability, and efficiency compared to facilities that
- 14 have been more recently permitted to operate.
- 15 (d) According to the State Energy Resources Conservation and
- 16 Development Commission, a number of these older, less efficient
- 17 electric generating facilities are at a high risk of being retired in
- 18 the next several years. As a result, their generating capacity,
- 19 which establishes a valuable reserve margin for the state, helps to
- 20 provide local reliability and voltage support, and alleviates
- 21 transmission congestion, will no longer be available.
- 22 (e) Because of their strategic location and existing
- 23 infrastructure, it is in the best interest of the state to ~~optimize the~~

1 ~~use of these sites by~~ *encourage the replacement or repowering of*
2 ~~these facilities.~~

3 (f) Investment in *replacement or* repowered electric generating
4 facilities replaces our aging facilities with more efficient and
5 cost-effective facilities that enhance environmental quality and
6 provide economic benefits to the communities in which they are
7 located.

8 (g) Therefore, it is in the public interest for the state to
9 facilitate investment in the *replacement or* repowering of older,
10 less-efficient electric generating facilities in order to improve
11 local area reliability and enhance the environmental performance,
12 reliability, efficiency, and cost-effectiveness of these facilities.

13 (h) An effective means for facilitating that investment, while
14 ensuring adequate ratepayer protection, is to authorize electrical
15 corporations to enter into long term contracts for the output from
16 these facilities on a cost-of-service basis.

17 SEC. 2. Section 454.6 is added to the Public Utilities Code, to
18 read:

19 454.6. (a) A contract entered into pursuant to Section 454.5
20 by an electrical corporation for the output of a *replacement or*
21 repowering project that meets the criteria specified in subdivision
22 (b) shall be recoverable in rates from all customers who benefit,
23 taking into account any collateral requirements and debt
24 equivalence associated with the contract.

25 (b) To be eligible for rate treatment in accordance with
26 subdivision (a), a project shall meet all of the following criteria:

27 (1) The project is a ~~modification~~ *replacement or repowering*
28 of an existing generation unit ~~of a thermal powerplant that meets~~
29 ~~all of the following criteria:~~ *of a thermal powerplant.*

30 ~~(A)–~~

31 (2) The project complies with all applicable requirements of
32 federal, state, and local laws.

33 ~~(B) The project is located on the site of, and within the~~
34 ~~existing boundaries of, an existing thermal facility.~~

35 ~~(C)–~~

36 (3) The project will not require significant additional
37 rights-of-way for electrical or fuel-related transmission facilities.

38 ~~(D)–~~

39 (4) The project will result in significant and substantial
40 increases in the efficiency of the production of electricity,

1 including, but not limited to, reducing the heat rate, reducing the
2 use of natural gas, reducing the use and discharge of water, and
3 reducing air pollutants emitted by the project, as measured on a
4 per-kilowatthour basis.

5 ~~(2) The State Energy Resources Conservation and~~
6 ~~Development Commission certifies that the project is eligible for~~
7 ~~certification pursuant to Section 25550.5 of the Public Resources~~
8 ~~Code.~~

9 ~~(3)–~~

10 (5) The Independent System Operator or local system operator
11 certifies that the project is ~~necessary~~ *needed* for local area
12 reliability, ~~and the commission or local governing body, as~~
13 ~~applicable, concurs.~~

14 ~~(4)–~~

15 (6) The project provides its output to consumers of this state at
16 the cost of generating that electricity, including a reasonable
17 return on the investment and the costs of financing the project.

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19
20 CORRECTIONS:

21 Text — Pages 2 and 3.
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